

NEWS RELEASE

Kansas Department of Transportation news release

Nov. 12, 2008

08-406

FOR IMMEDIATE RELEASE

News Contact: Steve Swartz (785) 296-3585

KDOT to suspend most December/January project lettings

Due to funding uncertainties at both the state and federal levels, the Kansas Department of Transportation (KDOT) is suspending most construction lettings for two months.

“We are operating in a time of extreme financial uncertainty, and it would be irresponsible for us to begin work on projects without knowing whether we will be able to pay for them,” Secretary of Transportation Deb Miller said.

“KDOT’s first priority will be to preserve our system and complete local projects and those projects already under way. We will continue to evaluate our financial situation to determine whether we can afford to let additional scheduled projects. We will continue to reassess the situation to determine if or when any additional projects can be let.”

This decision to delay lettings will impact most remaining projects under the state’s 10-year Comprehensive Transportation Program (CTP), including the largest remaining project, the expansion of highway K-61 from Hutchinson to McPherson.

KDOT was scheduled to let \$203 million worth of projects in December, which will be reduced to \$57 million. In January, \$111 million worth of projects were scheduled to be let and that number has been reduced to \$48 million.

Among the December lettings that will be suspended is the first phase of the K-61 project in Reno County, which at nearly \$58 million is the largest project in the December reduction. Also suspended for the December lettings is the \$53 million expansion of U.S. 169 in Montgomery County.

KDOT will continue to let smaller, preservation projects that have been identified as crucial for maintaining the state's infrastructure. Those include emergency repair projects, critical preservation projects and projects funded primarily with local and federal funds. Also to be let as scheduled are continuing phases of projects already under way, such as the expansion of US-59 in Franklin County. The planned \$27 million letting in December for the US-59 project will proceed.

As early as September 2007, KDOT began making contingency plans for potential shortfalls in federal funds. Again, this past June, KDOT warned that the pending financial shortfall at the federal level in federal fiscal year 2009 and beyond might result in the delay or elimination of projects. While Congress passed an \$8 billion transfer to the Highway Trust Fund in September to shore up funds for FY 2009, the shortfall for FY 2010 remains unresolved.

The federal shortfall is attributed to lower-than-expected heavy truck sales resulting from new diesel emissions standards, increased outlays during the latter years of SAFETEA-LU (the current federal transportation funding bill which runs through FY 2009), and flat motor fuels tax revenue.

Unless Congress addresses the shortfall, KDOT estimates it will receive an approximate 45% reduction (about \$160 million) in federal funds for FY 2010. While federal funding to the state should rebound after 2010, it will still be about 20 percent below what has been anticipated.

Compounding the problem is the uncertainty of state revenues. This month's budget estimates indicate revenues to the State General Fund (SGF) will be \$211 million less than expected for state fiscal year 2009 and are expected to worsen considerably in fiscal year 2010. KDOT budget planners think it is unlikely that the state will make expected loan repayments to the State Highway Fund of \$31 million in both FY 2009 and FY 2010. The loan to the state from the highway fund was made during the fiscal crisis of the early 2000s.

Planners also are concerned that the transfer of \$36 million from the Highway Fund to the SGF for the Kansas Highway Patrol, which was anticipated to end in FY 2009, will continue into

future years. Continuing this annual transfer beyond FY 2009 creates an additional burden on the SHF.

Also of concern is the anticipated decrease in revenue from vehicle registrations fees, motor fuels and sales tax collections.

The combined net loss in federal and state funds to KDOT could be nearly \$250 million in FY 2010.

Secretary Miller said KDOT staff will remain in contact with the state's Congressional delegation, legislators, local officials and stakeholders to keep them apprised of the situation.

###

This information can be made available in alternative accessible formats upon request. For information about obtaining an alternative format, contact the Bureau of Transportation Information, 700 SW Harrison St., 2nd Fl West, Topeka, KS 66603-3754 or phone 785-296-3585 (Voice) (TTY).